

HARFORD COUNTY FISCAL POLICY

Harford County's Fiscal Policies and Budget Process were framed by the County Charter, Article V, Budget and Finance and the County Code; expanded by our Business Plan; enhanced by recommendations of the Government and Finance Officers Association; and conform to Federal, State and local regulations as well as requirements of the Governmental Accounting Standards Board.

At the core of these policies is the County's determination to remain fiscally conservative, yet recognize fluctuations in the economy, changing trends, the adoption of new laws, and the concerns of our citizens. The County constantly reviews and adapts where necessary, our ways of conducting business.

Harford County's Five Year Business Plan - assures our citizens that funding for public services, programs and facilities is sufficient to assure effectiveness; appropriate as to source; and fair and equitable throughout the County. The cornerstones of the Plan are:

o **A Six Point Financial Plan**

- * expenditures will be based on a real vs. a perceived need
- * expenses, functions, services and projects will be affordable
- * an affordable 5 year capital program will be planned and implemented based on sound debt management practices
- * conservative operating budgets will be planned and prepared
- * new sources of revenue will be identified and advanced
- * a fund balance equal to 5% of the General Fund Operating Budget will be preserved to maintain our credit rating and provide for emergencies

o **Strategic Planning that incorporates Ten Principles of Sound Financial Management**

- * the County's Land Use Plan shall not become static and will be synchronized with the Operating and Capital Budgets and the Capital Improvement Program
- * the retention and expansion of local businesses will be encouraged, while attracting new companies to the County in order to expand our assessable base, diversify our economy, and increase employment opportunities for our citizens;
- * budgets will be conservative; a surplus in the General Fund at the end of each fiscal year shall be imperative; and a 5% Reserve of the General Fund will be maintained;
- * Net Bonded Debt will be maintained at a level of no more than 2.3% of the Estimated Market Value of Assessable Property in the County. As we remain conservative, yet fluid and responsive, debt management to be fiscally prudent, Bonded Debt and its resulting debt service is to be kept to as small a portion of the General Fund Budget as is realistically possible, while not tied to a set ratio;
- * debt will be issued only after a careful analysis ensures that revenue to pay that debt will be available;
- * if a deficit is forthcoming, the County Executive will impose a freeze on hiring and spending;
- * accounting practices will conform to Generally Accepted Accounting Principles;
- * all efforts will be made to improve program and employee productivity;
- * duplicative functions within government will be reduced.
- * County agencies will fully support the cash management system.

o **Debt Management** - Pay-As-You-Go (Paygo) will be used for minor renovation and repair projects with an asset life of less than ten years; new buildings, major renovations and repairs to existing facilities, which contribute to the asset's life can be financed with General Obligation Bonds.

o **Cash Management** - 100% of idle cash will be pooled for investment, based on an analysis used to determine the best possible return while ensuring maximum cash availability.

o **Revenue Policies** - call for an annual review of revenue projections for the next three fiscal years; setting user charges and fees at a level relative to the cost of providing the service; assuring that property appraisal and assessment procedures (though a State function) are fair and accurate, checking that property classifications ensure land zoned carries the proper appraisal; and following an aggressive policy of collecting property taxes.

o **Operating Budget Policies** - assure all current expenses will be paid for with current revenues; capital plant and equipment will be maintained and scheduled for orderly replacement; three year expenditure projections will be updated annually; enacted budgets will be adhered to; monthly reports will be prepared comparing actual revenues to expenses; fiscal impact statements will be prepared for all legislative proposals, new administrative policies, procedures and/or programs, and will be used to determine the revenue and expense impact of subdivision approvals.

o **Capital Improvement Budget Policies** - require the County to use the least costly method of financing all new projects, and to coordinate the capital budget with the operating budget; projected debt service must follow the County's debt policies and must be included in the operating budget.

Administrative Policies - have also been established in support of our conservative fiscal policies, and they call for

- * monitoring Federal and State legislation to determine any impact on Harford County's finances;
- * actively pursuing intergovernmental financing to supplement funding, but avoiding dependence on outside funding sources;
- * sharing the financial burden of desirable, but discretionary services, equitably among taxpayers and the users of those services;
- * encouraging participation by private markets in public service delivery as long as all Government objectives are met and the economical benefits to the community surpass direct government involvement;
- * multiple use of County facilities by more than one type of program or service;
- * interdepartmental coordination of procurement to ensure compatibility of equipment, reduce duplications, and achieve the greatest cost savings.

BUDGET ORGANIZATION

Harford County's comprehensive financial and operating plan for the fiscal year is comprised of the Annual Operating and Capital Budgets and our Six Year Capital Improvement Program.

OPERATING BUDGET

The Annual Operating Budget details fiscal information for all County departments and agencies along with information on: services, programs, goals, objectives, performance measures, and staffing requirements. Also defined are the County's contributions to independent sectors such as the Board of Education, Harford Community College and the County Libraries.

The budget consists of separate established "funds" to record the receipt and application of resources which, by law or generally accepted accounting principles, must be kept distinct:

o **THE GENERAL FUND** is the principal operating fund for Harford County Government and is used to account for all financial resources except those required by law, County policy, and/or generally accepted accounting principles to be accounted for in another fund.

o **THE HIGHWAYS FUND** is used to account for dedicated revenues derived from specific taxes and other earmarked revenue sources restricted to expenditures for the operation and support of the Engineering & Construction Division of the Department of Public Works, County fleet maintenance, capital projects management, traffic safety and transportation services.

o **THE WATER & SEWER DEBT SERVICE FUND** accounts for principal and interest payments on water and sewer bonds and loans, financed by dedicated revenues derived from user fees and surtaxes.

o **SOLID WASTE SERVICES** is used to account for solid waste management costs to the extent that solid waste related revenues are available. All other costs are in the General Fund.

o **THE WATER & SEWER FUND** is an enterprise fund, accounting for operations financed and conducted similar to private enterprise. It is the County Government's intent to finance these services primarily through charges to water and sewer service customers.

o **SPECIAL REVENUE FUNDS** were established to comply with the Governmental Accounting Standards Board's (GASB) Statement No. 34, which requires maintaining individual accounts for programs of a self-supporting nature (Parks & Recreation Special Fund) or which do not provide basic governmental services (County and State Agricultural Preservation Funds).

CAPITAL BUDGET & CAPITAL IMPROVEMENT PROGRAM

Harford County Government officials, with input from all departments and agencies, identify the long-range need to construct new or improve existing public facilities, and formulate a capital plan, consisting of a one year Capital Budget and a six year Capital Improvement Program. Such a program provides appropriation authority and planning for projects of long-term usefulness, size and cost, and/or which require large expenditures of funds usually programmed over more than one year and which result in a durable capital asset.